

The Standard Industry Fare Level Methodology for Determining
Change in Operating Expense per Available Seat-Mile,
Domestic Operations of the Major Carriers

Y.E. March 1998

Total Operating Expense 1/ (000)	\$57,011,549
Less: Property and Mail Revenue 2/ (000)	\$2,021,216
Charter Revenues 3/ (000)	\$137,313
Transport Related Expense 4/ (000)	\$1,566,286
Passenger Operating Expense (000)	\$53,286,734
Passenger Fuel Cost 5/ (000)	\$6,172,091
Passenger Non-Fuel Cost (000)	\$47,114,643
Scheduled Service Available Seat-Miles (millions)	593,401
Non-Fuel Operating Expense per Seat-Mile (\$)	0.07940
Fuel Expense per Seat-Mile (\$)	0.01040
Total Expense per Seat-Mile (\$)	0.08980

Y.E. March 1997

Total Operating Expense 1/ (000)	\$55,499,239
Less: Property and Mail Revenue 2/ (000)	\$1,930,512
Charter Revenues 3/ (000)	\$134,590
Transport Related Expense 4/ (000)	\$1,286,472
Passenger Operating Expense (000)	\$52,147,665
Passenger Fuel Cost 5/ (000)	\$6,953,428
Passenger Non-Fuel Cost (000)	\$45,194,237
Scheduled Service Available Seat-Miles (millions)	581,318
Non-Fuel Operating Expense per Seat-Mile (\$)	0.07774
Fuel Expense per Seat-Mile (\$)	0.01196
Total Expense per Seat-Mile (\$)	0.08971

Estimated Expense per Available Seat-Mile at April 1, 1998

Percent Change in Non-Fuel Unit Expense 6/ (%)	2.13
Projected Change in Non-Fuel Unit Expense from Y.E. March 31, 1998 to April 1, 1998 7/ (%)	1.06
Percent change in Unit Fuel Expense 6/ (%)	(13.04)
Estimated Change in Fuel Cost at April 1, 1998 8/	(10.55)
Non-Fuel Expense per Available Seat-Mile at April 1, 1998 9/	0.08024
Fuel per Available Seat-Mile at April 1, 1998 9/	0.00930
Total Expense per Available Seat-Mile at April 1, 1998	0.08954

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Estimated Expense per Available Seat-Mile at 1970.08954

Projected Expense per Available Seat-Mile at 1990.04549

Cost Adjustment Factor at April 1, 1998	1.96838
Cost Adjustment Factor at October 1, 1997	1.95542
Percentage Change From Preceding Period:	0.66

D.P.F.I. Formula Effective July 15, 1977 11/

Terminal Charge	\$16.16	
Plus: (\$)	0.0884	per mile (0-500 miles)
	0.0674	per mile (501-1,500 miles)
	0.0648	per mile (Over-1,500 miles)

S.I.F.L. Formula Effective January 1, 1998 through June 30, 1998 12/

Terminal Charge	\$31.81	
Plus: (\$)	0.1740	per mile (0-500 miles)
	0.1327	per mile (501-1,500 miles)
	0.1276	per mile (Over-1,500 miles)

1/ Total Operating Expense, all services, for the following major carriers: AA, AS, HP, CO, DL, NW, WN, TW, UA, and US.

2/ Total scheduled service cargo revenue. Includes all mail, freight, express and excess baggage revenues.

3/ Total non-scheduled revenue times .95, assuming charter operations would only be conducted at a profit.

4/ Sum of lesser of Transport Related Revenues or Expenses, by carrier. If expenses are greater than revenues, the difference is subtracted from expense.

5/ Total fuel cost, times complement of Property and Mail Revenue to Total Operating Expense.

6/ Change in unit rate from one year to the next.

7/ Percentage change (ratio) in Non-Fuel Unit Expense raised to the .50 power. (Unit rate projected six months from the midpoint of the base year to the midpoint of the six-month projection period.)

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9/ Operating Expense per Seat-Mile for the Y.E. March period, times percentage changes, above.

10/ Year Ended March 1977 cost per ASM, times cost escalation factor of 1.04543 (to July 5, 1977). See D.P.F.I. Workpapers, Y.E. March 1977, and C.A.B. Order 80-12-96, which incorporated the capitalized lease adjustment required under F.A.S.B. standard 13.

11/ Order 77-7-26.

12/ D.P.F.I. Fare Formula effective July 15, 1977, times Cost Adjustment Factor at October 1.

Fuel Price Per Gallon, Domestic Operations
of the Major and Large Regional Carriers

<u>Month</u>	Average Price per Gallon (cents)	Change From Preceding Month (%)
1996-January	61.39	N/A.
February	63.39	3.26
March	59.39	-6.31
April	64.55	8.69
May	63.29	-1.95
1996-June	58.30	-7.88
July	59.81	2.59
August	63.64	6.40
September	68.33	7.37
October	70.32	2.91
November	71.08	1.08
1996-December	73.38	3.24
1997-January	73.84	0.63
February	72.59	-1.69
March	65.30	-10.04
April	62.39	-4.46
May	60.66	-2.77
1997-June	59.81	-1.40
July	58.69	-1.87
August	62.42	6.36
September	59.47	-4.73
October	61.17	2.86
November	62.60	2.34
1997-December	59.75	-4.55
1998-January	56.84	-4.87
February	54.86	-3.48
March	51.14	-6.78
April	51.20	0.12
Estimated Fuel Cost/Gallon at April 1, 1998 1/		52.92
Fuel Cost/Gallon for Y.E. March 1998		59.16
Percentage Change (%)		-10.55

1/ Estimated average cost for the six months ended June 1997,